

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-04 PRS-01 SS-20 USIA-15 ACDA-19 IO-14 INT-08

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TO SECSTATE WASHDC 5691

UNCLAS TEGUCIGALPA 4320

E.O. 11652: N/A

TAGS: ENRG, HO

SUBJ: PETROLEUM: TEXACO MANAGER SPEAKS OUT

1. AT ROTARY CLUB MEETING SAN PEDRO SULA, 11/14, WALLACE MCDONALD, MANAGER OF TEXACO CARRIBEAN INC AND CHIEF REPRESENTATIVE OF TEXACO IN HONDURAS, SPOKE OUT ON FUEL PRICE PROBLEM, THE 50 PERCENT INCREASE IN PRICES SUGGESTED BY TEXACO AND RECOMMENDED REORGANIZATION OF NATIONAL TAX COLLECTION SYSTEM.

2. PRESS REPORTS QUOTE MCDONALD AS STATING THAT IT IS THE WORLD PRICE SITUATION AND NOT TEXACO THAT IS RESPONSIBLE FOR THE PRESENT SITUATION. HE IS QUOTED AS SAYING, "WE ARE HERE AS BUSINESSMEN IN ORDER TO DO A JOB, GIVE A SERVICE, COVER OUR COSTS AND OBTAIN RETURNS. BUT WE ARE NOT AN INSTITUTION SUBSIDIZING ECONOMIES OF A COUNTRY."

3. POINT OUT TEXACO'S CURRENT LOSS POSITION WHICH IS AT A RATE OF \$22 MILLION PER YEAR, MCDONALD WENT ON TO CALL FOR A PRICE INCREASE FOR PRODUCTS. THIS WOULD BE UNCLASSIFIED

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APPROXIMATELY 50 PERCENT ACCORDING TO MCDONALD AND HE

CITED THE SPECIFIC COSTS OF PRODUCTS AT 70.5 CENTS FOR PREMIUM, 48 CENTS A GALLON FOR REGULAR, AND OTHERS. HE ALSO CALLED FOR A CHANGE OF PRICE POLICY WHICH WOULD PROVIDE FOR DIFFERENTIAL PRODUCT PRICE REFLECTING TRANSPORTATION COSTS. AT PRESENT, PRODUCT PRICES ARE UNIFORM THROUGHOUT HONDURAS.

4. MCDONALD ALSO CALLED FOR THE GOVERNMENT TO REDUCE ITS TAX ON PRODUCTS.

5. THE PRESS REPORTS STATED THAT MCDONALD CALLED FOR AN EFFECTIVE REORGANIZATION OF THE SHAMEFUL COLLECTION OF TAXES BECAUSE FEW IN HONDURAS ACTUALLY PAY.

6. COMMENT: MR MCDONALD'S SUGGESTIONS MAY BE HARD FOR GOH OFFICIALS TO ADOPT.
SANCHEZ

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